

**REPORT OF THE AUDIT OF THE
OWSLEY COUNTY
CLERK**

**For The Year Ended
December 31, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE OWSLEY COUNTY CLERK

**For The Year Ended
December 31, 2008**

The Auditor of Public Accounts was engaged to complete the Owsley County Clerk's audit for the year ended December 31, 2008. Based upon the audit work performed, we have disclaimed an opinion on the financial statement and supplemental information.

Based upon our assessment of audit risk, we determined the risk of fraud to be too high to issue an opinion and we were unable to apply other audit procedures to overcome this risk. In addition, the County Clerk's office had serious weaknesses in the design and operation of its internal control procedures and accounting functions.

Report Comments:

- 2008-1 The County Clerk Failed To Manage The Financial Activities Of His Office
- 2008-2 The County Clerk Should Close Out His 2008 Fee Account
- 2008-3 The County Clerk Deposited \$20,450 Of Unidentified Cash Receipts After Year-End
- 2008-4 \$31,397 Of Receipts Were Not Deposited Timely Due To Deposits Not Being Made Intact Daily
- 2008-5 The County Clerk Should Prepare Receipts For All Collections
- 2008-6 The County Clerk Had \$1,720 In Disallowed Expenditures
- 2008-7 The Clerk Should Reimburse The Fee Account \$3,900 For Expense Allowance Paid When Funds Were Not Available
- 2008-8 1099's Should Be Prepared For All Applicable Contract Labor
- 2008-9 The County Clerk Should Not Cash Checks From Fee Account Funds
- 2008-10 The County Clerk Did Not Account For Fish And Wildlife Collections
- 2008-11 The Clerk Should Follow Proper Timekeeping Practices For Payroll
- 2008-12 The County Clerk Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- 2008-13 The County Clerk Did Not Maintain Bank Statements And Did Not Reconcile Them On A Monthly Basis
- 2008-14 The Clerk Should Pay Invoices In A Timely Manner
- 2008-15 The County Clerk Should Record Payments From The Commonwealth Of Kentucky And The Fiscal Court
- 2008-16 The County Clerk Has Not Properly Closed Out His 2007 Fee Account
- 2008-17 The County Clerk Has Not Properly Closed His 2006 Fee Account
- 2008-18 Failure To Comply With Uniform System Of Accounts
- 2008-19 The Clerk Should Maintain Adequate Documentation Of UPS Mailings
- 2008-20 The County Clerk's Office Lacks Adequate Segregation Of Duties

Deposits:

The County Clerk's deposits as of April 7, 2008, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$10,562

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Cale Turner, Owsley County Judge/Executive
The Honorable Sid Gabbard, Owsley County Clerk
Members of the Owsley County Fiscal Court

Independent Auditor's Report

We were engaged to audit the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Owsley County, Kentucky, for the year ended December 31, 2008. This financial statement is the responsibility of the County Clerk.

As further explained in the accompanying comments and recommendations, the Owsley County Clerk did not maintain adequate accounting records of fee account revenues and expenditures for the 2008 calendar year. The County Clerk's financial records do not permit the application of other auditing procedures to verify fee account revenues and expenditures. Furthermore, significant discrepancies in the County Clerk's records identified during the engagement and lack of adequate internal controls resulted in a high level of audit risk.

Since the Owsley County Clerk did not maintain adequate accounting ledgers and we were unable to apply other auditing procedures to satisfy ourselves as to the receipts and disbursements, the scope of our work was not adequate to enable us to express, and we do not express, an opinion on the financial statement described in the first paragraph.

In accordance with Government Auditing Standards, we have also issued our report dated August 6, 2009 on our consideration of the Owsley County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discuss the following report comments:

- 2008-1 The County Clerk Failed To Manage The Financial Activities Of His Office
- 2008-2 The County Clerk Should Close Out His 2008 Fee Account
- 2008-3 The County Clerk Deposited \$20,450 Of Unidentified Cash Receipts After Year-End
- 2008-4 \$31,397 Of Receipts Were Not Deposited Timely Due To Deposits Not Being Made Intact Daily
- 2008-5 The County Clerk Should Prepare Receipts For All Collections



The Honorable Cale Turner, Owsley County Judge/Executive
The Honorable Sid Gabbard, Owsley County Clerk
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- 2008-6 The County Clerk Had 1,720 In Disallowed Expenditures
- 2008-7 The Clerk Should Reimburse The Fee Account \$3,900 For Expense Allowance Paid When Funds Were Not Available
- 2008-8 1099's Should Be Prepared For All Applicable Contract Labor
- 2008-9 The County Clerk Should Not Cash Checks From Fee Account Funds
- 2008-10 The County Clerk Did Not Account For Fish And Wildlife Collections
- 2008-11 The Clerk Should Follow Proper Timekeeping Practices For Payroll
- 2008-12 The County Clerk Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- 2008-13 The County Clerk Did Not Maintain Bank Statements And Did Not Reconcile Them On A Monthly Basis
- 2008-14 The Clerk Should Pay Invoices In A Timely Manner
- 2008-15 The County Clerk Should Record Payments From The Commonwealth Of Kentucky And The Fiscal Court
- 2008-16 The County Clerk Has Not Properly Closed Out His 2007 Fee Account
- 2008-17 The County Clerk Has Not Properly Closed His 2006 Fee Account
- 2008-18 Failure To Comply With Uniform System Of Accounts
- 2008-19 The Clerk Should Maintain Adequate Documentation Of UPS Mailings
- 2008-20 The County Clerk's Office Lacks Adequate Segregation Of Duties

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Owsley County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

August 6, 2009

COUNTY CLERK'S 4^H QUARTER REPORT AND ANNUAL SETTLEMENT
FOR CALENDAR YEAR 2008

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COUNTY CLERK'S 4TH QUARTER REPORT AND
ANNUAL SETTLEMENT FOR CALENDAR YEAR 2008

Form For Budget, Cumulative Quarterly Report and Annual Settlement For Calendar Year 2008

Owsley County Clerk

Part One - Summary and Reconciliation of All Accounts

| Show & Describe All Accounts | Column 1 | | Column 2 | | Column 3 | Column 4 | Column 5 |
|------------------------------------|------------------|--|-------------------|--|-------------------|-------------------|-------------------|
| | 2008 Fee Account | | 2008 Fee Account | | Account | Account | Account |
| | Budget Estimate | | Cumulative Actual | | (NOT FEE ACCOUNT) | (NOT FEE ACCOUNT) | (NOT FEE ACCOUNT) |
| 1. Receipts YTD | 687370.00 | | 640190.36 | | | | |
| 2. Total Disbursements YTD | 687370.00 | | 640190.36 | | | | |
| 3. Book Balance/Excess Fees | 0 | | 0 | | | | |
| 4. Bank Statement Balance | | | | | | | |
| 5. Plus Deposits in Transit | | | | | | | |
| 6. Less Outstanding Checks | | | | | | | |
| 7. Other | | | | | | | |
| 8. Reconciled Bank Balance | | | | | | | |
| 9. Accounts Receivable as of 12/31 | | | | | | | |
| 10. Unpaid Obligations as of 12/31 | | | | | | | |
| 11. Excess Fees | | | | | | | |

Instructions: This form is the required format for the budget and the quarterly report. BUDGET: After completing the budget estimate columns of Parts One, Two and Three, submit to the fiscal court for approval by January 15th and following approval submit to the state local finance officer. QUARTERLY REPORT: The quarterly report is cumulative. Show the status of all funds in the official charge during calendar year to date in Part One. Line 1. Show total receipts on a cash basis for the year to date including any beginning balances for all accounts. Show current year fee account in COLUMN 2 as calculated in Part Two of report. Line 2. Show total disbursements on a cash basis for the year to date for all accounts. Show current year fee account in COLUMN 2 as calculated in Part Two of report. Line 3. Show difference between lines 1 and 2 for all accounts. Line 4. Show bank statement balance(s) at close of quarter. Line 5. Show total deposits made prior to close of quarter that are not reflected in bank statement(s). Line 6. Show total amount of checks issued prior to close of quarter that are not reflected in bank statement(s). Line 7. Show investments. Line 8. Show line 4 adjusted for lines 5, 6, and 7. Line 8 should equal line 3 for all accounts. Line 9. Complete for quarter ending 12/31. Show calculation in Part Three of report. Line 10. Complete for quarter ending 12/31. Show calculation in Part Three of report. Line 11. Complete for quarter ending 12/31. Show line 8 adjusted for lines 9 and 10. All debt to be shown in Part Four. Report due to: State Local Finance Officer, 1024 Capital Center Drive, Suite 340, Frankfort, KY 40601-4204 by the 20th day following the close of each quarter. Fax # 502-573-5713 / PW # 902-573-5710.

To the best of my knowledge the information reported herein for the budget/quarter ended JAN 8 is accurate and complete.

Signature of County Clerk

Date

Approved by the fiscal court on the 22 day of JAN, 2008

Date

County Judge/Executive

OWSLEY COUNTY
 SID GABBARD, COUNTY CLERK
 COUNTY CLERK'S 4TH QUARTER REPORT AND
 ANNUAL SETTLEMENT FOR CALENDAR YEAR 2008
 (Continued)

| Part Two Receipts | Budget Estimate | 1/1 thru 3/31 | 4/1 thru 6/30 | 7/1 thru 9/30 | 10/1 thru 12/31 | Total YTD | Accounts Receivable 12/31 | Settlement Total |
|--|-----------------|---------------|---------------|---------------|-----------------|------------|---------------------------|------------------|
| 1. Federal Grants/Reimbursements | | | | | | | | |
| 2. State Grants | | | | | | | | |
| 3. State Fees For Services | | | | | | | | |
| 4. Fiscal Court | | | | | | | | |
| 5. Revenue Supplement (< 20,000 pop) | 60,000.00 | 60,000.00 | | | 1,000.00 | 61,000.00 | | 61,000.00 |
| 6. Licenses and Taxes | | | | | | | | |
| 7. Motor Vehicle: | | | | | | | | |
| 8. Licenses and Transfers | 117,000.00 | 45,800.00 | 43,700.00 | 28,815.46 | 29,231.34 | 147,698.87 | | |
| 9. Usage Tax | 10,300.00 | 21,169.95 | 26,324.58 | 25,879.22 | 21,951.81 | 95,325.41 | | |
| 10. Tangible Personal Property Tax | 235,170.00 | 72,681.31 | 63,356.27 | 55,553.52 | 57,434.77 | 249,095.87 | | |
| 11. Notary Fees | 2,800.00 | | | | | | | |
| 12. | | | | | | | | |
| 13. Licenses (across) | | | | | | | | |
| 14. Fish and Game | 16,800.00 | 6,317.00 | 6,477.50 | 14,160.00 | 47,900.00 | 130,900.50 | | |
| 15. Marriage | 11,000.00 | 3,450.00 | 2,700.00 | 3,950.00 | 4,800.00 | 14,280.00 | | |
| 16. Occupational | | | | | | | | |
| 17. Beer & Liquor License | | 2,320.00 | 2,700.00 | | 5,620.00 | 10,750.00 | | |
| 18. | | | | | | | | |
| 19. H&USMG | 42,000.00 | 750.00 | 960.00 | 810.00 | 116.00 | 3,636.00 | | |
| 20. Deed Transfer Tax | 4,600.00 | 5,200.00 | 3,700.00 | 1,607.00 | 1,370.00 | 36,340.00 | | |
| 21. Delinquent Taxes | 15,000.00 | 58,337.60 | 4,001.14 | | 9,662.29 | 10,801.19 | | |
| 22. Fees Collected for Services | | | | | | | | |
| 23. Recordings: | | | | | | | | |
| 24. Deeds, Easements, and Contracts | 2,000.00 | 460.00 | 980.00 | 572.00 | 800.00 | 2,832.00 | | |
| 25. Real Estate Mortgages | 210.00 | 1,470.00 | 2,210.00 | 1,980.00 | 3,210.00 | 8,880.00 | | |
| 26. Chattel Mortgages & Financing Statements | 17,500.00 | 2,990.00 | 2,425.00 | 2,457.00 | 2,604.00 | 11,686.00 | | |
| 27. Powers of Attorney | 600.00 | 400.00 | 100.00 | 110.00 | 570.00 | 1,180.00 | | |
| 28. All Other Recordings | 42,000.00 | 6,520.00 | 6,290.00 | 13,450.00 | 6,820.00 | 33,880.00 | | |
| 29. Charges for Other Services: | | | | | | | | |
| 30. Copyrights | 7,000.00 | 800.00 | 1,210.00 | 964.00 | 1,384.00 | 4,174.00 | | |
| 31. Postage | | | | | 3,300.00 | 3,300.00 | | |

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COUNTY CLERK'S 4TH QUARTER REPORT AND
ANNUAL SETTLEMENT FOR CALENDAR YEAR 2008
(Continued)

| Part Two (continued) Receipts | Budget Estimate | 1/1 thru 3/31 | 4/1 thru 6/30 | 7/1 thru 9/30 | 10/1 thru 12/31 | Total YTD | Accounts Receivable 12/31 | Settlement Total |
|----------------------------------|--------------------|------------------|------------------|------------------|--------------------|--------------|------------------------------|---------------------|
| 32. Other: (describe) | | | | | | | | |
| 33. Candidate Filing Fee | | | | | | | | |
| 34. <i>CA, Reimb</i> | 1400.00 | | 800.00 | | 1700.32 | 2500.32 | | |
| 35. Interest Earned | 11000.00 | | 5250.00 | | 6486.53 | 11736.53 | | |
| 36. <i>ELECTIONS</i> | | | | | | | | |
| 37. <i>LIEN FEES</i> | 2200.00 | 716.12 | 1122.00 | 902.00 | 280.00 | 3520.12 | | |
| 37. Total Revenues | | | | | | | | |
| 38. Petty Cash | | | | | 390.16 | 390.16 | | |
| 39. Borrowed Money | | | | | | | | |
| 40. Total Receipts | 607370.00 | 2946.12 | 15858.00 | 121439.70 | 14078.58 | 640190.36 | | |

Copy the figure above on line 40 in the budget estimate column to the summary on page 1, column 1, line 5. Copy the figure above on line 40 in the Total YTD column to page 1, column 2, line 1. Copy the figure above on line 40 in the Accounts Receivable column to page 1, column 3, line 5.

| Part Three Disbursements | Budget Estimate | 1/1 thru 3/31 | 4/1 thru 6/30 | 7/1 thru 9/30 | 10/1 thru 12/31 | Total YTD | 12/31 Unpaid Obligations | Settlement Total |
|---|--------------------|------------------|------------------|------------------|--------------------|--------------|-----------------------------|---------------------|
| 1. Payments to State (describe) | | | | | | | | |
| 2. Motor Vehicle: | | | | | | | | |
| 3. Licenses & Transfers | 103000.00 | 197569.2 | 418392 | 190343 | 209157.2 | 103139.87 | | 103139.87 |
| 4. Usage Tax | 400472.00 | 20570.81 | 25205.96 | 22501.56 | 2313.61 | 90991.94 | | 90991.94 |
| 5. Tangible Personal Prop Tax | 95000.00 | 13380.67 | 33181.20 | 20233.20 | 27953.31 | 95354.49 | | 95354.49 |
| 6. Licenses: (describe) | | | | | | | | |
| 7. Fish & Game | 16200.00 | 4370.50 | 7228.75 | 1401.60 | 5504.75 | 18525.60 | | 18525.60 |
| 8. Marriage Licenses | | | | | | | | |
| 9. <i>HOUSING</i> | 4200.00 | | | | | | | |
| 10. Delinquent Tax | 1500.00 | 1294.1 | 705.91 | 75.70 | 83.16 | 993.28 | | 993.28 |
| 11. Legal Process Tax | 4600.00 | 687.95 | 1095.72 | 1177.7 | 1629.51 | 4100.85 | | 4100.85 |
| 12. Other Services | | | | | | | | |
| 13. Payments to Fiscal Court (describe) | 20100.00 | 3621.18 | 8009.02 | 221.12 | 7644.36 | 25116.68 | | 25116.68 |
| 14. Tangible Personal Property Tax | 1800.00 | 272.20 | 1002.91 | 170.27 | 141.10 | 1586.48 | | 1586.48 |
| 15. Delinquent Tax | | | | | | | | |
| 16. Deed Transfer Tax | 4462.00 | | | | 3452.77 | 3452.77 | | 3452.77 |
| 17. Occupational Licenses | | | | | | | | |
| 18. Beer & Liquor Licenses | | | | | | | | |

OWSLEY COUNTY
 SID GABBARD, COUNTY CLERK
 COUNTY CLERK'S 4TH QUARTER REPORT AND
 ANNUAL SETTLEMENT FOR CALENDAR YEAR 2008
 (Continued)

| Part Three (continued) Disbursements | Budget Estimate | 1/1 thru 3/31 | 4/1 thru 6/30 | 7/1 thru 9/30 | 10/1 thru 12/31 | Total YTD | 12/31 Unpaid Obligations | Settlement Total |
|--|--------------------|------------------|------------------|------------------|--------------------|--------------|-----------------------------|---------------------|
| 19. Fiscal Court/Tax Bill Prep | | | | | | | | |
| 20. | | | | | | | | |
| 21. Payments to Other Districts (describe) | | | | | | | | |
| 22. Tangible Personal Property Tax | 115,277.00 | 17,118.98 | 37,624.96 | 22,230.44 | 35,922.94 | 112,916.82 | | 112,916.82 |
| 23. Delinquent Tax | 85,015.00 | 67,198.00 | 38,053.36 | 4,829.90 | 477.13 | 53,781.17 | | 53,781.17 |
| 24. | | | | | | | | |
| 25. Payments to Sheriff | 300.00 | 45.00 | 10.00 | 30.00 | 15.00 | 150.00 | | 150.00 |
| 26. | | | | | | | | |
| 27. Payments to County Attorney | 260.00 | 175.04 | 1,880.06 | 200.46 | 229.70 | 178.26 | | 178.26 |
| 28. | | | | | | | | |
| 29. Personal Services (Salary & Fringe) | 182,000.00 | 203,271.69 | 57,601.23 | 33,139.86 | 33,139.86 | 145,208.64 | | 145,208.64 |
| 30. County Clerk's Gross Salary | | | | | | | | |
| 31. County Clerk's Expense Allowance | | | | | | | | |
| 32. Deposited Gross Salaries | | | | | | | | |
| 33. Part Time Gross Salaries | | | | | | | | |
| 34. Overtime Gross | | | | | | | | |
| 35. Unemployment Insurance | | | | | | | | |
| 36. Employee Benefits | | | | | | | | |
| 37. Employer's Share S.S. (7.65%) | | | | | | | | |
| 38. Employer's Share Ret. | | | | | | | | |
| 39. Employer Paid Health Insurance | | | | | | | | |
| 40. Other Payroll Disbursements | | | | | | | | |
| 41. Training Fringe Benefit (HB 810) | | | | | | | | |
| 42. Contracted Services | | | | | | | | |
| 43. Fish & Game | | | | | | | | |
| 44. Advertising | | | | | | | | |
| 45. Printing & Binding | | | | | | | | |

OWSLEY COUNTY
 SID GABBARD, COUNTY CLERK
 COUNTY CLERK'S 4TH QUARTER REPORT AND
 ANNUAL SETTLEMENT FOR CALENDAR YEAR 2008
 (Continued)

| Part Three (continued) Disbursements | Budget Estimate | 1/1 thru 3/31 | 4/1 thru 6/30 | 7/1 thru 9/30 | 10/1 thru 12/31 | Total YTD | Unpaid Obligations | Settlement Total |
|---|--------------------|------------------|------------------|------------------|--------------------|--------------|-----------------------|---------------------|
| 46. | | | | | | | | |
| 47. <i>ELECTION EX</i> | 116,000.00 | | 5250.00 | | 6486.00 | 11736.00 | | 11736.00 |
| 48. Supplies & Materials (describe) | | | | | | | | |
| 49. Office Supplies | 2400.00 | 17607 | 789.12 | 358.91 | 152.12 | 1471.04 | | 1471.04 |
| 50. <i>PHONE</i> | 2300.00 | | 450.00 | | 1176.78 | 1626.80 | | 1626.80 |
| 51. Other Charges (describe) | | | | | | | | |
| 52. Conventions & Travel | | | | | | | | |
| 53. Dues <i>HOA 115.00 TAX</i> | | | | | | | | 100.00 |
| 54. Postage | 12100.00 | 126642 | 2483.33 | 1294.60 | 865.33 | 5912.68 | | 5912.68 |
| 55. Misc | 5500.00 | 189.95 | 2876.13 | 446.00 | 810.00 | 8301.88 | | 8301.88 |
| 56. <i>CONTRACT LABOR</i> | 8939.00 | | | | 2500.00 | 2500.00 | | 2500.00 |
| 57. Debt Service (Interest & Principal) | | | | | | | | |
| 58. Principal on Note | | | | | | | | |
| 59. Interest | | | | | | | | |
| 60. Computer Lease | | | | | | | | |
| 61. Capital Outlay (except purchases on regular term billing (e.g. rent)) | | | | | | | | |
| 62. Office Equipment | | | | | | | | |
| 63. Vehicle | | | | | | | | |
| 64. | | | | | | | | |
| 65. | | | | | | | | |
| 66. | | | | | | | | |
| 67. Total | | | | | | | | |
| For offices that fee pool, pay fees to county prior to December 31, or counties over 70,000 in population, show payments made on lines 68 and 69. | | | | | | | | |
| 68. Payments to County Treasurer | | | | | | | | |
| 69. Payments to State Treasurer | | | | | | | | |
| 70. Total Disbursements | 107370.00 | 163776.66 | 23030.24 | 13417.11 | 171931.35 | 64860.36 | | 64860.36 |

Enter total of lines 67, 68 and 69 on line 70

Copy the figure shown on line 70 in the Budget Estimate column to the Summary on page 1, column 1, line 2. Copy the figure shown on line 70 in the Unpaid column to the Summary on page 1, column 1, line 2. Copy the figure shown on line 70 in the Total YTD column to page 1, column 2, line 2. Copy the figure shown on line 70 in the Total YTD column to page 1, column 2, line 2.

OWSLEY COUNTY
 SID GABBARD, COUNTY CLERK
 COUNTY CLERK'S 4TH QUARTER REPORT AND
 ANNUAL SETTLEMENT FOR CALENDAR YEAR 2008
 (Continued)

LF 1142.000 Rev. 11/07

Part Four - Liabilities Outstanding

Form For Budget, Cumulative
 Quarterly Report and Annual
 Settlement For Calendar Year
 2008

Quarter ended December 31, 2007

| Multi-year Issues | Issue | Issue | Totals |
|-----------------------------|--|-------|--------|
| Where Budgeted | | | |
| Description | | | |
| Term (# of Years) | | | |
| Current Interest Rate | | | |
| Issue Date | | | |
| Total Principal Amount | | | |
| Total Interest Amount | | | |
| Total Issue | | | |
| Principal Balance Remaining | | | |
| Interest Balance Remaining | | | |
| Less Reserve Earnings | | | |
| Net Outstanding | | | |
| Next Payment Date | | | |
| Next Payment Amount | | | |
| Final Payment Date | | | |
| Short Term Liabilities | Issue | Issue | |
| Where Budgeted | | | |
| Description | | | |
| Term | | | |
| Current Interest Rate | | | |
| Issue Date | | | |
| Total Principal Amount | | | |
| Total Interest Amount | | | |
| Total Issue | | | |
| Principal Balance Remaining | | | |
| Interest Balance Remaining | | | |
| Total Outstanding | | | |
| Next Payment Date | | | |
| Next Payment Amount | | | |
| Final Payment Date | | | |
| Total Outstanding Debt | <small>If no outstanding debt, leave blank, or enter "0"</small> | | |

Comments:

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Cale Turner, Owsley County Judge/Executive
The Honorable Sid Gabbard, Owsley County Clerk
Members of the Owsley County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We were engaged to audit the statement of revenues, expenditures, and excess fees - regulatory basis of the Owsley County Clerk for the year ended December 31, 2008, and have issued our report thereon dated August 6, 2009, wherein we disclaimed an opinion on the financial statement because the County Clerk failed to maintain adequate accounting records and lacked adequate internal controls resulting in high audit risk and fraud risk.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Owsley County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be a significant deficiencies in internal control over financial reporting: 2008-01, 2008-2, 2008-3, 2008-4, 2008-5, 2008-6, 2008-7, 2008-8, 2008-9, 2008-10, 2008-11, 2008-12, 2008-13, 2008-14, 2008-15, 2008-16, 2008-17, 2008-18, 2008-19, and 2008-20.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Owsley County Clerk's financial statement for the year ended December 31, 2008, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items: 2008-2, 2008-4, 2008-5, 2008-6, 2008-7, 2008-8, 2008-9, 2008-10, 2008-11, 2008-12, 2008-14, 2008-15, 2008-16, 2008-17, and 2008-18.

The Owsley County Clerk's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Clerk's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Owsley County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

August 6, 2009

COMMENTS AND RECOMMENDATIONS

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2008

FINANCIAL STATEMENT FINDINGS

2008-1 The County Clerk Failed To Manage The Financial Activities Of His Office

Auditors have not been able to express an unqualified opinion on the County Clerk's financial statements for the past eight years including the current engagement. Recommendations have been made for at least the last nine years by three different auditing firms in an attempt to help the County Clerk understand how he could easily correct his poor financial practices and internal controls. The County Clerk has made no significant attempt to correct even the most basic issues.

For calendar year 2008, the County Clerk, failed again to maintain adequate financial records. During our testing of receipt and disbursements, we noted the following known errors:

- A total of \$36,450 of cash receipts was deposited after year-end to cover a shortage in the 2008 fee account. Of this amount \$20,450 was unidentified cash receipts that could not be directly attributed to any 2008 tax collections or other fees of the County Clerk's office, and \$16,000 was a personal check.
- \$83,536 of receipts included on the quarterly report was not posted in the receipts ledgers. These receipts consisted of state payments, county payments and payments received for UPS mailings.
- No receipts were issued for collections of chattels, state payments, county payments and funds collected from citizens for UPS mailings.
- State and county payments as well as funds collected from citizens for UPS mailings were not included on daily checkout sheets and were not posted to ledgers.
- Deposits were not made intact daily and did not agree to the daily checkout sheets and the receipts ledger.
- Funds collected from citizens for UPS mailings were not accounted for properly and no determination of appropriate reimbursement from the public could be made.
- \$1,047 of 2009 fee collections was deposited in to the 2008 fee account to cover a shortage and is now due back to the 2009 fee account.
- The County Clerk cashed a personal check of \$802 from office funds.
- \$4,460 of disbursements was not included on the quarterly report.
- \$1,720 of disallowed expenditures was noted including \$1,576 of overdraft charges incurred by the clerk in the 2008 fee account and the fish and game account for 2008 calendar year, and \$144 of late fees and other unnecessary expenses, such as cookies, coffee, and cordless phone, not used in fee office.
- The County Clerk was not entitled to an expense allowance. In addition, he overpaid the expense allowance by \$300. The County Clerk should reimburse the 2008 fee account \$3,900 he paid himself for expense allowance.
- The County Clerk paid a total of \$5,200 to individuals for contract labor and did not prepare 1099s or report these earnings to the appropriate agencies.
- No leave balances were maintained for one deputy.
- The County Clerk did not account for fish and wildlife collections properly.
- The County Clerk did not maintain all bank statements and did not reconcile them to the ledgers on a monthly basis.
- 16 invoices were noted that were not paid timely, some exceeded six months late.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2008-1 The County Clerk Failed To Manage The Financial Activities Of His Office
(Continued)

- The County Clerk did not properly close out his 2007 fee account.
- The County Clerk did not properly close out his 2006 fee account.

Because internal controls did not exist to prevent and/or detect these types of errors and because the County Clerk did not implement any type of oversight controls, these types of errors were allowed to occur. In addition, various local and state agencies that rely on and monitor the financial and program activity of the County Clerk cannot rely on nor have any confidence in the reports submitted by the County Clerk. Reports remitted to external agencies, such as the Department for Local Government, are misleading, calculations for excess fees due fiscal court are erroneous, and calendar year receipts are erroneously used in other years. Also, this internal control deficiency creates an environment for potential material misstatement in the financial statements caused either by error or fraud and taxpayer dollars are at greater risk for misappropriation. Improvement in the financial practices and internal controls are needed to ensure that proper information is submitted in a timely manner and is not misleading to users of the information.

The County Clerk's office has a lack of segregation of duties which further contributes to the inability to rely on his financial information. The County Clerk maintains the receipt and disbursement ledgers, makes the bank deposits, and mails checks for payment. Good internal controls dictate the same employee should not receive payments, record receipts and prepare checks for payment.

We recommend the County Clerk immediately implement controls and oversight over his office to assure errors of this magnitude are prevented or detected in a timely manner and accurate financial reports are maintained in the future as required. Without the County Clerk taking an active approach to correcting his poor financial practices, taxpayer monies will continue to be at risk.

County Clerk's Response: Will Correct.

2008-2 The County Clerk Should Close Out His 2008 Fee Account

Based on available information obtained by auditors, the Clerk should perform the following to close out the 2008 Fee bank account:

- Deposit \$8,497 of personal funds to his 2008 fee account: \$1,720 of disallowed expenditures, \$3,900 of disallowed expense allowance, and \$2,877 of additional funds needed to cover liabilities.
- Pay \$5,000 to the school board for tangible taxes for July 2008.
- Pay \$135 to the Fish and Game account for licenses sold from December 11 – December 31, 2008.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2008-2 The County Clerk Should Close Out His 2008 Fee Account (Continued)

- Pay \$1,047 to the 2009 fee account for 2009 collections deposited into the 2008 fee account.

County Clerk's Response: Will Correct.

2008-3 The County Clerk Deposited \$20,450 Of Unidentified Cash Receipts After Year-End

The County Clerk deposited \$20,450 of unidentified cash receipts after year-end to cover a shortage in his 2008 fee account. These deposits are unidentified and could not be directly attributed to any 2008 tax collections or other fees attributed to the County Clerk's office. The County Clerk has stated to auditors that the unidentified receipts are from his own personal funds. However, the County Clerk did not provide any financial documentation or records supporting the source of the funds. Because the County Clerk continues the practice of producing insufficient financial records over receipts, we could not eliminate the possibility that these "cash" deposits were from 2009 cash payments received by the County Clerk. The County Clerk should only use current year official receipts for current year expenditures in order to clearly identify the intent of the receipt. We recommend the County Clerk appropriately account for and document all receipts.

County Clerk's Response: Will Correct.

2008-4 \$31,397 Of Receipts Were Not Deposited Timely Due To Deposits Not Being Made Intact Daily

The County Clerk's daily checkout sheets and receipts ledger postings did not agree to bank deposits. The minimum requirements pursuant to KRS 68.210 for the handling of public funds require deposits be made intact daily into a federally insured banking institution. Based on comparison of the daily checkouts to the bank deposits during calendar year 2008, we noted un-deposited receipts of \$31,397 throughout the year. These un-deposited receipts were then covered by the personal and unidentified deposits made after year-end as noted in comments 2008-1 and 2008-03.

Furthermore, we noted that cash deposited into the fee account totaled amounts in \$100 increments, no coins appear to have been deposited. Large portions of daily transactions are cash payments from taxpayers. Due to the high fraud risk associated with these cash transactions, it is crucial that the County Clerk's office deposit all collections on a daily basis and agree these deposits back to supporting documents. Daily deposits being made intact will help prevent the likelihood of misstatement or fraud occurring without being detected. We recommend all collections be deposited intact on a daily basis, reconciled to the daily checkout sheets and promptly deposited into the bank with any discrepancies being thoroughly explained.

County Clerk's Response: Will Correct.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2008-5 The County Clerk Should Prepare Receipts For All Collections

The County Clerk did not prepare receipts for funds collected for chattels, and funds received from the Commonwealth of Kentucky and Owsley County Fiscal Court. According to KRS 64.840, "the county clerk shall, upon the receipt of fine, forfeiture, tax, or fee, prepare a receipt that meets the specifications of the state local finance officer." The preparation of receipts for all funds received begins the receipts process and will ensure all receipts are included on the daily checkouts and receipts ledger. We recommend the County Clerk prepare receipts for all monies received by the office either in his office or by mail.

County Clerk's Response: Already Started.

2008-6 The County Clerk Had \$1,720 In Disallowed Expenditures

The County Clerk had \$1,720 in disallowed expenditures including \$1,576 of bank overdraft fees, \$33 of late fees, and \$111 of other unnecessary disbursements. Items such as bank overdraft fees, late payment fees, coffee, cookies, forks, and a cordless phone that is not used in the Clerk's office are not necessary expenses of the office and are reflective of poor management practices. In **Funk vs. Milliken, 317 S.W.2d 499 (KY. 1958)**, Kentucky's highest court reaffirmed the rule that county fee officials' expenditures of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses. We recommend the County Clerk only expend fee account monies for allowable purposes and have the proper supporting documentation for each payment. We also recommend the Clerk deposit \$1,720 of personal funds to reimburse the fee account the disallowed expenditures.

County Clerk's Response: Will Correct.

2008-7 The Clerk Should Reimburse The Fee Account \$3,900 For Expense Allowance Paid When Funds Were Not Available

During the course of our audit, we noted the Clerk received a total of \$3,900 expense allowance during calendar year 2008. KRS 64.017 states, "The county clerk of any county shall receive a maximum annual expense allowance of \$3,600 to be paid from the fees collected by the clerk." In additional KRS 64.017 states the county clerk shall receive the excess of fees after all other lawful expenses and salaries have been paid. For calendar year 2008, the clerk did not have any fees remaining in order to receive his 2008 expense allowance since personal funds of the Clerk are necessary to pay all liabilities of this fee year. Also noted, had the Clerk been entitled to the expense allowance he overpaid it by \$300 and did not withhold any taxes and retirement from it. We recommend the Clerk only receive his expense allowance when funds are available after all liabilities are paid and ensure all payroll taxes and retirement be withheld from gross wages and be reported to appropriate agencies. Furthermore, we recommend the Clerk reimburse the 2008 fee account \$3,900 for expense allowance he received that he was not entitled.

County Clerk's Response: Will Correct.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2008-8 1099's Should Be Prepared For All Applicable Contract Labor

As the trustee/agent, the Clerk is responsible for reporting and remitting taxes and withholdings to the appropriate agencies in a timely manner. The Clerk paid a total of \$5,200 to two individuals for contract labor that should have been reported as taxable income. The Internal Revenue Service requires the form 1099 be issued to individual contractors for services resulting in income of \$600 or more. We recommend the Clerk immediately take the appropriate steps necessary to assure 1099's are prepared and submitted. We will refer these matters to the Internal Revenue Service, County Attorney, and the Department of Revenue for review.

County Clerk's Response: Will Correct.

2008-9 The County Clerk Should Not Cash Checks From Fee Account Funds

The County Clerk cashed a check for \$802 out of fee account funds for himself. The check was written from USDA to the County Clerk personally and not in his professional capacity. Cashing checks out of fee account's cash on hand is prohibited due to the risk of misappropriation of funds. Strict controls over cash are essential to ensure that all monies are accounted for properly. The risk of material misstatement and/or fraud increases when controls are not implemented or when controls are overridden. Fee account cash on hand is not for the convenience of the County Clerk nor for the public. KRS 64.850 specifically states an official should not "withdraw public funds for any purpose other than that for which they were received and deposited." We recommend the County Clerk cease the practice of cashing checks from fee account funds immediately.

County Clerk's Response: Will Correct.

2008-10 The County Clerk Did Not Account For Fish And Wildlife Collections

During our testing of the Fish and Wildlife account we noted the following:

- The fish and wildlife account had a negative bank balance in all months.
- \$942 of bank charges was incurred for non-sufficient funds and overdraft charges.
- The County Clerk stated that he only made a deposit in this account after the bank called and told him how much he needs to deposit in order to bring his account balance back to zero.
- The County Clerk had no system of accounting for these collections and did not reconcile the account.
- As of December 31, 2008, the County Clerk had a zero balance in the bank account however no deposits had been made to cover fish and game licenses sold from December 9, 2008 through December 31, 2008 totaling \$135.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2008-10 The County Clerk Did Not Account For Fish And Wildlife Collections

We recommend the County Clerk properly administer the Fish and Wildlife collections by making daily deposits, reconciling this account to ledgers and eliminating bank overdraft charges.

County Clerk's Response: Will Correct.

2008-11 The Clerk Should Follow Proper Timekeeping Practices For Payroll

During our audit, we noted that one deputy's timesheet did not account for any leave balances. Good internal controls dictate that supervisors record vacation and sick leave balances in order to assure leave time is accurate and properly maintained. We recommend the Clerk ensure all employees' timesheets include all approved time off and accumulated balances.

County Clerk's Response: Will Correct.

2008-12 The County Clerk Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On April 7, 2008, \$10,562, of the County Clerk's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The County Clerk should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the County Clerk enter into a written agreement with the depository institution to secure the County Clerk's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Clerk's Response: Will Correct.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2008-13 The County Clerk Did Not Maintain Bank Statements And Did Not Reconcile Them On A Monthly Basis

The County Clerk did not maintain or reconcile all bank statements to ledgers on a monthly basis. Auditors had to go directly to the banking institution in order to obtain required information such as copies of cancelled checks and deposit slips. By not maintaining bank statements the County Clerk cannot reconcile his financial records to the bank activity which increases the risk that errors may occur and go undetected. We recommend the County Clerk maintain all bank statements and reconcile them monthly to the ledger and/or financial statements.

County Clerk's Response: Will Correct.

2008-14 The Clerk Should Pay Invoices In A Timely Manner

During our audit, we tested 48 expenditures. Of these 48 expenditures, we noted 16 invoices were not paid within thirty days of receipt or included past due balances, some exceeding six months late. Late fees are applicable once an invoice becomes 30 days delinquent. Since late fees are unnecessary and disallowed expenses, we recommend the Clerk pay all invoices within thirty days of receipt and reimburse the fee account for \$33 in late fees incurred during calendar year 2008 as discussed in comment #6.

County Clerk's Response: Will Correct.

2008-15 The County Clerk Should Properly Record Payments From The Commonwealth Of Kentucky And The Fiscal Court

The County Clerk did not record all payments received from the Commonwealth of Kentucky and the Owsley County Fiscal Court. The Uniform System of Accounts as adopted under KRS 68.210 and KRS 43.075(3) requires the official to maintain accurate recording of receipts by source. Auditors performed test procedures on these payments and noted that these payments were not recorded on the daily checkout sheets or in the receipts ledger. The only recording of these payments was made on the Quarterly Report, and those amounts did not agree to confirmations of state and county payments. Based on lack of documentation associated with state and county payments, auditors are unable to determine if funds were misappropriated. We recommend the County Clerk record payments from the Commonwealth of Kentucky and the Fiscal Court on the daily checkout sheets and the receipts ledgers as required.

County Clerk's Response: Already Started.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2008-16 The County Clerk Has Not Properly Closed Out His 2007 Fee Account

Based on available information obtained by auditors, the Clerk should perform the following to close out the 2007 Fee bank account:

- Collect \$857 from 2006 Fee Account for delinquent taxes improperly paid by the 2007 Fee Account.
- Deposit \$1,465 of identifiable personal funds into the 2007 Fee Account for disallowed expenditures.
- Pay himself \$1,740 for under payment of his 2007 salary.
- Pay \$97 to the 2006 Fee Account for overpayment of delinquent taxes deposited into 2007 Fee Account.
- Pay \$44 to the City of Booneville for a check that remains outstanding.
- Pay \$410 to the Soil Conservation District for a check that remains outstanding.
- Pay \$76 to the 2006 Fee Account for amounts overpaid to Fish and Game Account.
- Deposit \$48 of identifiable personal funds into the 2007 Fee Account to close this bank account. The \$48 is not an audited deficit amount. Auditors have disclaimed the audit opinion and are not expressing an opinion of the financial statements. These monies are what will be needed to bring pay all liabilities found for the 2007 fee account.

County Clerk's Response: Will Correct.

2008-17 The County Clerk Has Not Properly Closed His 2006 Fee Account

The County Clerk did not properly close out his 2006 Fee Account. The Clerk should take the following steps in order to close out the account:

- Deposit \$694 of identifiable personal funds into the 2006 Fee Account.
- Collect \$97 from the 2007 Fee Account and deposit into the 2006 Fee Account for overpayment of a delinquent tax bill collected in wrong year.
- Collect \$76 from the 2007 Fee Account on behalf of an overpayment to the Fish and Game Account, then deposit into the 2006 Fee Account.
- Pay the 2007 Fee Account \$857 for a liability of the 2006 Fee Account that was improperly paid by the 2007 Fee Account.
- Pay \$10 to the City of Booneville that is yet to be paid.
- Close the 2006 Fee Account after all items have cleared.

We recommend the County Clerk properly close out his 2006 Fee Account.

County Clerk's Response: Will Correct.

OWSLEY COUNTY
SID GABBARD, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS
For The Year Ended December 31, 2008
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued)

2008-18 Failure To Comply With Uniform System Of Accounts

The findings above represent failure to comply with the Uniform System of Accounts as adopted under KRS 68.210 and KRS 43.075(3). Among other provisions, this statute requires the official to maintain accurate recording of receipts by source and expenditures by payee, and to fulfill all other legal requirements relating to the management of public funds by his office, including all publication requirements. The requirements for uniform formats for audit reports shall require that the format of reports for each category of county or district office shall be uniform.

We recommend the County Clerk meet minimum standards of accountability in compliance with the Uniform System of Accounts.

County Clerk's Response: Will Correct.

2008-19 The County Clerk's Office Lacks Adequate Segregation Of Duties

The County Clerk's office has a lack of segregation of duties which further contributes to the inability to rely on his financial information. The County Clerk maintains the receipt and disbursement ledgers, makes the bank deposits, and mails checks for payment. Good internal control dictates the same employee should not receive payments, record receipts and prepare checks for payment. We recommend the County Clerk accurately record all financial transactions and have the duties of receiving payment, paying bills, recording transactions, and preparing financial statements be completed by independent office staff. The current office practices are reflective in all comments above.

County Clerk's Response: No response.

2008-20 The County Clerk Should Maintain Adequate Documentation Of UPS Mailings

During our audit, we noted approximately 70 UPS packages being shipped for non-business reasons. Upon inquiry of the County Clerk's mailing practices, the County Clerk informed auditors that, as a courtesy to the public, he allows them to ship UPS via his account. He stated that they reimburse him this expense, he deposits it into his fee account, and he pays the UPS invoice upon receipt. Since the County Clerk does not issue receipts for these reimbursements nor maintain any documentation, auditors were unable to verify that all non-business package expenses were reimbursed to the County Clerk. We recommend the County Clerk create a separate bank account for the deposit and disbursement of all non-business package reimbursements and expenses. We further recommend procedures be in place to document all UPS mailings.

County Clerk's Response: Already Started.

